

## Federal-aid Funding Eligibility for ITS Projects: Washington State

This table summarizes the eligibility of federal-aid funds for the capital and on-going operating costs of Intelligent Transportation Systems (ITS) projects. More detail on the eligibility of ITS operating costs is given starting on page 2.

	Federal-aid Program			
	STP	NHS	IM	CMAQ
<b>Description</b>	Provides flexible funding that may be used by States and localities for projects on any Federal-aid highway, including the NHS, bridge projects on any public road, transit capital projects, and intracity and intercity bus terminals and facilities.	For improvements to rural and urban roads that are part of the NHS, including the Interstate System and designated connections to major intermodal terminals.	For resurfacing, restoring, rehabilitating and reconstructing (4R) most routes on the Interstate System.	For projects and programs in air quality nonattainment and maintenance areas for ozone, carbon monoxide (CO), and particulate matter (PM-10, PM-2.5) which reduce transportation related emissions.
<b>FY09 Apportionment to Washington<sup>1</sup></b>	\$127,124,305	\$113,346,859	\$99,107,299	\$33,128,217
<b>ITS Eligibility - Capital Costs</b>	Yes	Yes <sup>2</sup>	Yes <sup>3</sup>	Yes <sup>4</sup>
<b>ITS Eligibility - Operating Costs</b>	Yes <sup>5</sup>	Yes <sup>5</sup>	No	Yes, for 3 years <sup>5</sup>

### Notes

ITS capital costs may be eligible under other Federal-aid programs, such as the Highway Safety Improvement Program, National Scenic Byways Program, Highways for LIFE, and the Value Pricing Pilot Program. Refer to the specific eligibility requirements of each program at: [http://www.fhwa.dot.gov/federalaid/guide/guide\\_current.cfm](http://www.fhwa.dot.gov/federalaid/guide/guide_current.cfm). ITS operating costs are only eligible under the programs listed in this table.

1) After programmatic distribution of equity bonus funds, after penalty shifts, exclusive of 2% for SPR. See <http://www.fhwa.dot.gov/safetealu/fy09comptables.pdf> for more information.

2) As long as the project is on a NHS route, or on a federal-aid highway not on the NHS if (a) such highway project is in the same corridor as, and in proximity to, a fully access-controlled NHS highway, (b) the construction or improvements will improve the level of service on the fully access-controlled NHS highway and improve regional travel, and (c) the construction or improvements are more cost-effective than improvements on the fully access controlled NHS highway would be to provide the same benefits.

3) As long as the project is on an Interstate freeway.

4) Traffic management/monitoring/congestion relief strategies are eligible.

5) The operating costs for traffic monitoring, management, and control systems, such as integrated traffic control systems, incident management programs, and traffic control centers, are eligible for STP and NHS funding. These costs are also eligible for CMAQ funding, for a period of 3 years, if those systems are located in air quality non-attainment and maintenance areas and measurably demonstrate reductions in traffic delays. See page 2 for more information on eligible operating costs.

# **Transportation Systems Management & Operations: Operating Cost Eligibility Under the Federal-Aid Highway Program<sup>1</sup>**

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## **Federal-aid Eligibility Policy Guide**

The operating costs for traffic monitoring, management, and control systems, such as integrated traffic control systems, incident management programs, and traffic control centers, are eligible for Federal reimbursement from National Highway System and Surface Transportation Program funding. For projects located in air quality non-attainment and maintenance areas, and in accordance with the eligibility requirements of 23 USC 149(b), Congestion Mitigation and Air Quality Improvement Program funds may be used for operating costs for a 3-year period, so long as those systems measurably demonstrate reductions in traffic delays. Operating costs include labor costs, administrative costs, costs of utilities and rent, and other costs, including system maintenance costs, associated with the continuous operation of the system.

## **Introduction**

The movement of people, goods, and vehicles on the nation's surface transportation system is now critically dependent on how effectively that system is managed and operated. Adding to the roadway system is necessary in some key locations and corridors to serve the demands for this movement, and in some cases, provide for economic development in the area. However, the construction of new lanes will never alleviate the need for effective management and operations of the system - on existing as well as new segments. Well planned, cost-effective transportation operations and management actions can improve mobility, safety, and productivity of the system for transportation users in urban and rural areas.

## **Background - Legislative**

The Transportation Equity Act for the 21st Century (TEA-21), signed into law on June 9, 1998, reinforces the Federal commitment to manage and operate the nation's transportation system. Under TEA-21, the Federal-aid Highway Program continues eligibility of operating costs for traffic monitoring, management, and control. The legislation defines operating costs as including labor costs, administrative costs, costs of utilities and rent, and other costs associated with the continuous management and operation of traffic systems, such as integrated

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<sup>1</sup> The text in the remainder of this paper was included as an attachment to a Memo entitled, "INFORMATION: Guidance on Federal-aid Eligibility of Operating Costs for Transportation Management Systems," January 3, 2000, by Christine M. Johnson, Program Manager, Operations Director, ITS Joint Program Office.

traffic control systems, incident management programs, and traffic control centers.<sup>2</sup> An "operational improvement" continues to mean a capital improvement for installation of traffic surveillance and control equipment; computerized signal systems; motorist information systems; integrated traffic control systems; incident management programs; transportation demand management facilities; strategies, and programs; and such other capital improvements to public roads as the Secretary may designate, by regulation.<sup>3</sup> By definition, an operational improvement still does not include restoration or rehabilitating improvements; construction of additional lanes, interchanges, and grade separations; and construction of a new facility on a new location.

For both National Highway System (NHS) and Surface Transportation Program (STP), TEA-21 continues the eligibility of capital and operating costs for traffic monitoring, management, and control facilities and programs.<sup>4</sup> Also, TEA-21 clarifies the eligibility of NHS and STP funds for Intelligent Transportation Systems (ITS) capital improvements to specifically allow funds to be spent for infrastructure-based ITS capital improvements.<sup>5</sup>

For the Congestion Mitigation and Air Quality Improvement Program, TEA-21 continues to include the establishment or operation of a traffic monitoring, management, and control facility or program as potentially eligible projects.<sup>6</sup> TEA-21 also explicitly adds, as an eligible condition for funding, programs or projects that improve traffic flow, including projects to improve signalization, construct high occupancy vehicle lanes, improve intersections, and implement ITS strategies.<sup>7</sup>

### **Interpretation / Rationale**

Examples of typical eligible operating cost and expenses for traffic monitoring, management, and control include those costs mentioned in the legislative definition for operating costs.<sup>2</sup> In order to assure continuous operation, costs associated with maintaining these systems are necessary operating expenses so that traffic monitoring, management, and control facilities or programs provide their intended functions. Examples of these maintenance costs include system maintenance activities to assure peak performance (preventive computer maintenance) and replacement of defective or damaged computer components and other traffic management system hardware (including street-side hardware). Specific eligibility determinations related to traffic control operational costs and maintenance expenses are the discretion of the FHWA Division Office in a particular state.

This interpretation is consistent with the FHWA Strategic Plan, specifically related to the Mobility Goal and the Strategic Objective to "Improve the operation of the highway systems and intermodal linkages to increase transportation access for all people and commodities." In light of TEA-21, which reaffirms and increases the Federal commitment to manage and operate the nation's surface transportation system, this interpretation is also consistent with the intent of Congress.

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<sup>2</sup> 23 USC 101(a)(17).

<sup>3</sup> 23 USC 101(a)(18).

<sup>4</sup> 23 USC 103(b)(6)(H) and 23 USC 133(b)(6).

<sup>5</sup> 23 USC 103(b)(6)(O) and 23 USC 133(b)(13).

<sup>6</sup> 23 USC 149(b)(4).

<sup>7</sup> 23 USC 149(b)(5).

It is appropriate for FHWA to adopt policies that encourage efficient management and operation of surface transportation. With a greater shift toward applying technology to addressing transportation needs, a broader life-cycle view of transportation operations is warranted that includes all activities related to sustaining system performance.

### **Examples**

Some of the types of Federal-aid projects that may be funded include the installation and integration of the Intelligent Transportation Systems Infrastructure such as:

- Planning for regional Management and Operations programs
- Traffic Signal Control Systems
- Freeway Management Systems
- Incident Management Systems
- Multimodal Traveler Information Systems
- Transit Management Systems
- Electronic Toll Collection Systems
- Electronic Fare Payment Systems
- Railroad Grade Crossing Systems
- Emergency Services
- Implementation of the National ITS Architecture for metropolitan and rural areas
- Development of regional ITS Architecture

Some examples of typical Federal-aid capital improvement projects that may include eligible operating costs include:

- System Integration
- Telecommunications
- Reconstruction of Buildings or Structures that house system components
- Control / Management Center (Construction) and System Hardware and Software for the projects
- Infrastructure-based Intelligent Transportation System capital improvements to link systems to improve transportation and public safety services
- Dynamic / Variable message signs
- Traffic Signals

Some examples of typical eligible operating cost and expenses for traffic monitoring, management, and control include:

- Labor Costs
- Administrative costs

- Costs of Utilities and Rent
- Other costs associated with the continuous operation of the above-mentioned facilities and systems
- System Maintenance (activities to assure peak performance)
- Replacement of defective or damaged computer components and other traffic management system hardware (including street-side hardware).

## Questions and Answers

Q: What would not be considered eligible as an operating cost?

A: The discretion and flexibility afforded FHWA Division Offices in determining the eligibility of specific activities under this guidance, the allowances for preventive maintenance in Title 23<sup>8</sup>, and other Federal-aid policies can allow for virtually any activity to be eligible. However, routine maintenance items that are not critical to the successful operation of the system, such as the painting of traffic signal controller cabinets or the maintenance of the exterior of transportation management center buildings, would normally fall outside of eligible operating costs.

Q: What are some typical activities associated with transportation management center computers whose costs could be eligible under Federal-aid?

A: Besides the costs associated with designing and procuring the computer system, other eligible activities could include regular checking of the computer components to make sure they are fully functional. Any corrective measures or upgrades (software or hardware) that are necessary would be eligible activities.

Q: Can "spare parts" be eligible for federal-aid?

A: System-critical parts (i.e., ones that are essential for the successful operation of the system) that are susceptible to failure, regardless of reason - acts of God, crashes, electronic "infant mortality" - have been determined by some FHWA Division Offices as eligible for federal-aid reimbursement.

Q: What documentation do states or local governments need to submit (or present upon request) for approval or authorization of operating costs?

A: The amount and specific nature of documentation are left to the judgment of the FHWA Division Office, but the documentation should be sufficient to determine that the proposed expenditures would be eligible for Federal-aid reimbursement.

Q: Besides TEA-21 and Title 23, what overall rules govern the eligible operating costs and procurement method?

A: The Office of Management and Budget (OMB) Circular A-87, Cost Principles for State and Local Governments (available at [http://www.whitehouse.gov/omb/circulars\\_a087\\_2004](http://www.whitehouse.gov/omb/circulars_a087_2004)) establishes principles for determining the allowable costs incurred by State, local, and federally-recognized Indian tribal governments under grants, cost reimbursement contracts, and other agreements with the Federal Government. Part 18 of Title 49 of the Code of Federal Regulations (49 CFR Part 18, available at <http://www.gpoaccess.gov/cfr/index.html>) also includes

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<sup>8</sup> 23 USC 116(d).

information related to the administration of grants and cooperative agreements with State and local governments.

Q: Where can I find out more about the Congestion Mitigation and Air Quality Improvement (CMAQ) Program?

A: The latest guidance on the CMAQ Program was issued April 28, 1999, and is available from FHWA Division and FTA Regional offices. The guidance, along with other CMAQ Program information, is available on the internet at <http://www.fhwa.dot.gov/environment/cmaqpgs/index.htm>.

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